

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Abraham & Alfrey, P.C.</i>			Date <i>John R. K.</i>	

**Township of Dallas
Clinton County, Michigan**

FINANCIAL STATEMENTS

March 31, 2004

Township of Dallas
Clinton County, Michigan
March 31, 2004
BOARD OF TRUSTEES

Clare A. Koenigsknecht	Supervisor
Marjorie R. Luttig	Clerk
Patricia A. Hafner	Treasurer
Ralph H. Feldpausch	Trustee
Elaine A. Thelen	Trustee

Township of Dallas

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ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

Member:
American Institute of
Certified
Public Accountants
and
Michigan Association of
Certified Public
Accountants

INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
Township of Dallas
Fowler, Michigan

We have audited the accompanying general purpose financial statements of the Township of Dallas, County of Clinton as of and for the year ended March 31, 2004, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Dallas, County of Clinton as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The individual fund and account group financial statements listed in the Table of Contents under Supplemental Financial Information are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Township of Dallas, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

July 9, 2004

GENERAL PURPOSE FINANCIAL STATEMENTS

Township of Dallas

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP

March 31, 2004

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Types</u>
	<u>General</u>	<u>Special Revenue (Fire)</u>	<u>Trust and Agency</u>
ASSETS			
Cash and cash equivalents	\$ 25,587	\$ 18,603	\$ -
Investments	240,000	40,000	9,012
Receivables			
Accounts	-	2,575	-
Interest	1,277	68	-
Due from other governmental units			
Local	682	287	-
Fixed assets	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 267,546</u>	<u>\$ 61,533</u>	<u>\$ 9,012</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	\$ 173	\$ 1,057	\$ -
Salaries payable	-	8,163	-
Accrued liabilities	-	485	-
Withholding payable	<u>-</u>	<u>-</u>	<u>1,954</u>
TOTAL LIABILITIES	173	9,705	1,954
FUND EQUITY			
Investment in general fixed assets	-	-	-
Fund balance			
Reserved			
Equipment purchases and training	-	-	7,058
Unreserved			
Designated for public improvements	140,000	-	-
Undesignated	<u>127,373</u>	<u>51,828</u>	<u>-</u>
TOTAL FUND EQUITY	<u>267,373</u>	<u>51,828</u>	<u>7,058</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 267,546</u>	<u>\$ 61,533</u>	<u>\$ 9,012</u>

See accompanying notes to general purpose financial statements.

<u>Account Group</u>	
<u>General Fixed Assets</u>	<u>Total (Memorandum Only)</u>
\$ -	\$ 53,202
-	280,000
-	2,575
-	1,345
-	969
<u>494,707</u>	<u>494,707</u>
<u>\$ 494,707</u>	<u>\$ 832,798</u>

\$ -	\$ 1,230
-	8,163
-	485
<u>-</u>	<u>1,954</u>
-0-	11,832

494,707	494,707
-	7,058
-	140,000
<u>-</u>	<u>179,201</u>
<u>494,707</u>	<u>820,966</u>
<u>\$ 494,707</u>	<u>\$ 832,798</u>

Township of Dallas

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES AND
EXPENDABLE TRUST FUNDS

Year Ended March 31, 2004

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u> <u>Expendable Trust</u> <u>(Emergency Fire)</u>	<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue (Fire)</u>		
REVENUES				
Taxes	\$ 66,886	\$ 26,078	\$ -	\$ 92,964
Intergovernmental - State	84,487	1,265	-	85,752
Charges for services	2,258	42,831	-	45,089
Interest	3,634	376	26	4,036
Other	<u>337</u>	<u>5,016</u>	<u>-</u>	<u>5,353</u>
TOTAL REVENUES	157,602	75,566	26	233,194
EXPENDITURES				
General government	75,843	-	-	75,843
Public safety	-	56,564	-	56,564
Public works	59,645	-	-	59,645
Health and welfare	2,968	-	-	2,968
Recreation and cultural	3,073	-	-	3,073
Community and economic development	560	-	-	560
Other	<u>11,327</u>	<u>-</u>	<u>-</u>	<u>11,327</u>
TOTAL EXPENDITURES	<u>153,416</u>	<u>56,564</u>	<u>-0-</u>	<u>209,980</u>
EXCESS OF REVENUES OVER EXPENDITURES	4,186	19,002	26	23,214
Fund balances, beginning of year	<u>263,187</u>	<u>32,826</u>	<u>7,032</u>	<u>303,045</u>
Fund balances, end of year	<u>\$ 267,373</u>	<u>\$ 51,828</u>	<u>\$ 7,058</u>	<u>\$ 326,259</u>

See accompanying notes to general purpose financial statements.

Township of Dallas

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL AND
SPECIAL REVENUE FUND TYPES

Year Ended March 31, 2004

	General Fund		
	Amended <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 66,700	\$ 66,886	\$ 186
Intergovernmental - State	87,000	84,487	(2,513)
Charges for services	-	2,258	2,258
Interest	7,000	3,634	(3,366)
Other	<u>2,500</u>	<u>337</u>	<u>(2,163)</u>
TOTAL REVENUES	163,200	157,602	(5,598)
EXPENDITURES			
General government	79,025	75,843	3,182
Public safety	-	-	-0-
Public works	59,645	59,645	-0-
Health and welfare	2,968	2,968	-0-
Recreation and cultural	3,073	3,073	-0-
Community and economic development	560	560	-0-
Other	<u>16,327</u>	<u>11,327</u>	<u>5,000</u>
TOTAL EXPENDITURES	<u>161,598</u>	<u>153,416</u>	<u>8,182</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,602	4,186	2,584
Fund balances, beginning of year	<u>263,187</u>	<u>263,187</u>	<u>-0-</u>
Fund balances, end of year	<u>\$ 264,789</u>	<u>\$ 267,373</u>	<u>\$ 2,584</u>

See accompanying notes to general purpose financial statements.

<u>Special Revenue Fund (Fire)</u>		
<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 26,150	\$ 26,078	\$ (72)
-	1,265	1,265
47,000	42,831	(4,169)
250	376	126
<u>2,200</u>	<u>5,016</u>	<u>2,816</u>
75,600	75,566	(34)
-	-	-0-
54,400	56,564	(2,164)
-	-	-0-
-	-	-0-
-	-	-0-
-	-	-0-
-	-	-0-
<u>54,400</u>	<u>56,564</u>	<u>(2,164)</u>
21,200	19,002	(2,198)
<u>32,826</u>	<u>32,826</u>	<u>-0-</u>
<u>\$ 54,026</u>	<u>\$ 51,828</u>	<u>\$ (2,198)</u>

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS, FUND TYPES, AND ACCOUNT GROUP

Dallas Township, County of Clinton, was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Clinton County. The Township operates under an elected Township Board, which consists of a Supervisor, Clerk, Treasurer, and two trustees, and provides services to its residents in many areas including fire protection, roads, and planning.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, The Financial Reporting Entity; and Statement on Michigan Governmental Accounting and Auditing No. 5, these financial statements present all financial activities of the Township of Dallas. The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the general purpose financial statements of Dallas Township contain all the funds and account groups controlled by the Township Board.

2. Basis of Presentation

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds and account group reported in the financial statements are categorized and described as follows:

GOVERNMENTAL FUND TYPES

- a. General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Special Revenue Fund (Fire) - The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

FIDUCIARY FUND TYPES

- a. Expendable Trust Fund (Fire Emergency) - The Trust Fund is used to account for assets held by the Township in a trustee capacity for individuals and other funds. The Fire Emergency Fund is an expendable trust fund and is accounted for in essentially the same manner as proprietary funds.
- b. Agency Funds (Trust and Agency, Current Tax Collections) - The Agency Funds are used to account for assets held by the Township as an agent for individuals, other organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS, FUND TYPES, AND ACCOUNT GROUP - CONTINUED

2. Basis of Presentation - continued

ACCOUNT GROUP

- a. General Fixed Assets Account Group - The General Fixed Assets Account Group is used to maintain control and cost information for all fixed assets.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township conform to accounting principles generally accepted in the United States of America as applicable to Townships. The following is a summary of the more significant accounting policies:

1. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus only current assets and current liabilities generally are included on the Balance Sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The Expendable Trust Fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the Balance Sheet. Expendable Trust Fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

There is no measurement focus for agency funds since assets equal liabilities.

2. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental and agency funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues are generally considered available when they are received in cash (unless legally restricted to some future period) or when earned and expected to be collected soon enough after year end to pay liabilities of the current period. Significant revenues susceptible to accrual include certain intergovernmental revenues and charges for services. Most State intergovernmental revenues (i.e., income taxes, sales taxes, Act 51 funds), licenses and permits, fines and forfeits, and miscellaneous revenue sources generally are recorded as revenues when received in cash because they are not measurable until actually received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. The major exception to this general rule is principal and interest on general long-term debt which is recorded when due.

The expendable trust fund is accounted for using the accrual basis of accounting. These revenues are recognized when they are earned and expenses are recognized when they are incurred.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Budgets and Budgetary Accounting

The General and Special Revenue Fund's budgets shown in the financial statements were prepared on a basis not substantially different than the basis used to reflect actual results.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to April 1, the budget is legally adopted on a departmental (activity) level through passage of a Board resolution. After the budget is adopted, all transfers of budgeted amounts between accounts within the fund or activity or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year. The amendments to the originally adopted budgets were not material.

4. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of checking and savings accounts. Investments consist of certificates of deposit with an original maturity of greater than 90 days.

5. Property Tax

Dallas Township bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

The property taxes attach as an enforceable lien on property as of December 1. Taxes are levied December 1 and are payable through February 14. All property taxes not paid by February 14 are deemed delinquent. Delinquent real property taxes are turned over to the Clinton County Treasurer on March 1. The Clinton County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township is permitted to levy up to \$1 per \$1,000 of assessed valuation for general governmental service and additional amounts for fire operations and debt service. For the year ended March 31, 2004, the Township levied .9537 mills per \$1,000 of assessed valuation for general governmental services, and .4856 mills for fire operations. The total taxable value for the 2003 levy for property within the Township was \$53,716,306.

6. Fixed Assets

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets (expendable available financial resources) and current liabilities (those expected to be liquidated with expendable financial resources) are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources".

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Fixed Assets - continued

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. The general fixed assets are recorded as expenditures at the time of purchase in the governmental fund types. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings including roads, bridges, streets and sidewalks, and drainage systems are not capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

7. Comparative Data

Comparative data has not been presented in the financial statements due to the Township's requirement to prepare audited financial statements only once every two years.

8. Total Columns on Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or changes in financial position in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

The Township's cash and investments at March 31, 2004, are composed of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash and cash equivalents		
Checking accounts	\$ 46,144	\$ 47,194
Savings accounts	<u>7,058</u>	<u>7,054</u>
	53,202	54,248
Investments		
Certificates of deposit	<u>280,000</u>	<u>280,000</u>
	<u>\$ 333,202</u>	<u>\$ 334,248</u>

Deposits of the Township are at federally insured banks located in the State of Michigan, with all accounts maintained in the name of the Township. As of March 31, 2004, the Township accounts were insured by the FDIC for \$272,194, and the amount of \$62,054 was uninsured and uncollateralized.

Due to significantly higher cash flows at certain periods during the year, the amount the Township held as cash increased significantly. As a result, the amount of uninsured and uncollateralized cash was substantially higher at these peak periods than at year-end.

NOTE D: GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	<u>Balance April 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2004</u>
Buildings and grounds	\$ 59,268	\$ -	\$ -	\$ 59,268
Furniture and equipment	10,512	200	-	10,712
Fire trucks and equipment	<u>417,863</u>	<u>6,864</u>	<u>-</u>	<u>424,727</u>
	<u>\$ 487,643</u>	<u>\$ 7,064</u>	<u>\$ -0-</u>	<u>\$ 494,707</u>

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

NOTE E: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During the year ended March 31, 2004, the Township incurred expenditures in the Special Revenue Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
Special Revenue Fund			
Public Safety	\$ 54,400	\$ 56,564	\$ 2,164

NOTE F: FUND BALANCE RESERVES AND DESIGNATIONS

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use. Designated fund balance indicates that portion of the fund balance which the Township has set aside for specific purposes.

The following is the fund balance reserves as of March 31, 2004:

Trust and Agency Funds	
Emergency Fire	
Reserved for equipment purchases and training	<u>\$ 7,058</u>

The following is the fund balance designation as of March 31, 2004:

General Fund	
Designated for public improvements	<u>\$ 140,000</u>

NOTE G: RISK MANAGEMENT

The Township is exposed to various risks of loss for business electronic equipment; in-land marine; dishonesty, disappearance, and destruction; supplemental fire equipment; fire department accidental death, dismemberment, and disability, and crime/theft claims for which the Township carries commercial insurance.

The Township also participates in a pool, the Michigan Municipal Liability and Property Pool, with other municipalities for auto, property, errors and omissions, employee benefits, malpractice, and liability losses. The pool is organized under Public Act 138 of 1982, as amended. The Township has no liability for additional assessments based on the claims filed against the pool nor do they have rights to dividends.

The Township also participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The Township has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

NOTE H: GASB STATEMENT NO. 34

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement). Certain of the significant changes in the Statement include the following:

For the first time the financial statements will include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Township's activities, including reporting infrastructure assets (roads, bridges, etc.).
- A change in the fund financial statements to focus on the major funds.

The general provisions of GASB No. 34 must be implemented by the Township of Dallas no later than the fiscal year ending March 31, 2006; the retroactive reporting of infrastructures, if any, is optional to be implemented no later than the year ending March 31, 2010.

SUPPLEMENTAL FINANCIAL INFORMATION

Township of Dallas

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

Year Ended March 31, 2004

	Amended <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Taxes			
Current tax levy	\$ 52,300	\$ 54,843	\$ 2,543
Administrative fees	<u>14,400</u>	<u>12,043</u>	<u>(2,357)</u>
Total taxes	66,700	66,886	186
Intergovernmental - State			
State shared revenue	87,000	83,719	(3,281)
Metro act	<u>-</u>	<u>768</u>	<u>768</u>
Total intergovernmental - State	87,000	84,487	(2,513)
Charges for services			
Other	-	2,258	2,258
Interest	7,000	3,634	(3,366)
Other			
Refunds and reimbursements	<u>2,500</u>	<u>337</u>	<u>(2,163)</u>
TOTAL REVENUES	163,200	157,602	(5,598)
EXPENDITURES			
General government			
Township board			
Salaries		3,000	
Dues		951	
Education		<u>763</u>	
Total township board	4,714	4,714	-0-
Attorney and legal			
Attorney		526	
Legal notices		<u>247</u>	
Total attorney and legal	848	773	75
Supervisor			
Salary		9,100	
Transportation		290	
Education		685	
Communication		<u>30</u>	
Total supervisor	10,777	10,105	672

Township of Dallas

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - CONTINUED

Year Ended March 31, 2004

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES - continued			
General government - continued			
Assessor			
Salary	\$	\$ 10,675	\$
Supplies and postage		407	
Transportation		638	
Computer charges		1,270	
Other		585	
	<hr/>	<hr/>	<hr/>
Total assessor	13,575	13,575	-0-
Clerk			
Salaries		9,000	
Deputy wages		145	
Supplies and postage		218	
Transportation		26	
Education		556	
Communication		13	
Computer charges		819	
	<hr/>	<hr/>	<hr/>
Total clerk	10,777	10,777	-0-
Treasurer			
Salaries		11,000	
Deputy wages		378	
Supplies and postage		1,188	
Transportation		207	
Education		454	
Communication		13	
Computer charges		2,817	
Other		32	
	<hr/>	<hr/>	<hr/>
Total treasurer	16,089	16,089	-0-
Board of review			
Salaries		990	
Legal notices		16	
	<hr/>	<hr/>	<hr/>
Total board of review	1,006	1,006	-0-
Township hall			
Insurance		1,788	
Utilities		1,325	
Repairs and maintenance		15,452	
Supplies		16	
	<hr/>	<hr/>	<hr/>
Total township hall	18,666	18,581	85

Township of Dallas

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - CONTINUED

Year Ended March 31, 2004

	Amended <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXPENDITURES - continued			
General government - continued			
Elections			
Supplies	\$ 173	\$ 173	\$ -0-
Other			
Other	<u>2,400</u>	<u>50</u>	<u>2,350</u>
Total general government	79,025	75,843	3,182
Public works			
Drains			
Drains at large	8,552	8,552	-0-
Highways and streets			
Maintenance and repairs	<u>51,093</u>	<u>51,093</u>	<u>-0-</u>
Total public works	59,645	59,645	-0-
Health and welfare			
Ambulance appropriation	2,968	2,968	-0-
Recreation and cultural			
Library and park contributions	3,073	3,073	-0-
Community and economic development			
Planning commission			
Salaries	560	560	-0-
Other			
Employee benefits			
Social security	3,431	3,431	-0-
Workers' compensation insurance	432	432	-0-
Pension	7,464	7,464	-0-
Other	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total other	<u>16,327</u>	<u>11,327</u>	<u>5,000</u>
TOTAL EXPENDITURES	<u>161,598</u>	<u>153,416</u>	<u>8,182</u>
EXCESS OF REVENUES OVER EXPENDITURES	1,602	4,186	2,584
Fund balance, beginning of year	<u>263,187</u>	<u>263,187</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 264,789</u>	<u>\$ 267,373</u>	<u>\$ 2,584</u>

Township of Dallas

Special Revenue Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

Year Ended March 31, 2004

	<u>Amended Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Taxes			
Current tax levy	\$ 26,150	\$ 26,078	\$(72)
Intergovernmental - State			
Department of Natural Resources	-	1,265	1,265
Charges for services			
Fire and rescue runs and standby	47,000	42,831	(4,169)
Interest	250	376	126
Other	<u>2,200</u>	<u>5,016</u>	<u>2,816</u>
TOTAL REVENUES	75,600	75,566	(34)
EXPENDITURES			
Public safety			
Salaries	18,906	21,341	(2,435)
Insurance	8,804	8,804	-0-
Repairs and maintenance	5,820	5,820	-0-
Outside fire calls	5,000	5,000	-0-
Refunds and reimbursements	611	611	-0-
Capital outlay	7,064	7,064	-0-
Education	2,670	2,399	271
Communication	1,470	1,470	-0-
Transportation	139	139	-0-
Social security	1,633	1,633	-0-
Supplies	611	611	-0-
Collection expense	420	420	-0-
Other	<u>1,252</u>	<u>1,252</u>	<u>-0-</u>
TOTAL EXPENDITURES	<u>54,400</u>	<u>56,564</u>	<u>(2,164)</u>
EXCESS OF REVENUES OVER EXPENDITURES	21,200	19,002	(2,198)
Fund balance, beginning of year	<u>32,826</u>	<u>32,826</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 54,026</u>	<u>\$ 51,828</u>	<u>\$(2,198)</u>

Township of Dallas
Trust and Agency Funds
COMBINING BALANCE SHEET
March 31, 2004

	<u>Expendable Trust Fund Emergency Fire</u>	<u>Agency Funds Trust and Agency</u>	<u>Total</u>
ASSETS			
Cash	\$ <u>7,058</u>	\$ <u>1,954</u>	\$ <u>9,012</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Withholding payable	\$ -	\$ 1,954	\$ 1,954
FUND BALANCE			
Reserved for equipment purchases and training	<u>7,058</u>	<u>-</u>	<u>7,058</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>7,058</u>	\$ <u>1,954</u>	\$ <u>9,012</u>

Township of Dallas

Agency Funds

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended March 31, 2004

	<u>Balance</u> <u>Apr. 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Mar. 31, 2004</u>
<u>Trust and Agency Fund</u>				
ASSETS				
Cash	\$ <u>1,675</u>	\$ <u>9,781</u>	\$ <u>9,502</u>	\$ <u>1,954</u>
LIABILITIES				
Withholdings payable	\$ <u>1,675</u>	\$ <u>9,781</u>	\$ <u>9,502</u>	\$ <u>1,954</u>
<u>Current Tax Collections Fund</u>				
ASSETS				
Cash	\$ <u>-</u>	\$ <u>1,195,754</u>	\$ <u>1,195,754</u>	\$ <u>-0-</u>
LIABILITIES				
Due to other funds				
General Fund	\$ -	\$ 66,156	\$ 66,156	\$ -0-
Special Revenue Fund	-	25,791	25,791	-0-
Due to other governmental units				
County				
State Education Tax	-	267,006	267,006	-0-
Other	-	357,339	357,339	-0-
Schools	<u>-</u>	<u>479,462</u>	<u>479,462</u>	<u>-0-</u>
TOTAL LIABILITIES	\$ <u>-0-</u>	\$ <u>1,195,754</u>	\$ <u>1,195,754</u>	\$ <u>-0-</u>

Township of Dallas

STATEMENT OF GENERAL FIXED ASSETS

March 31, 2004

ASSETS

Buildings and grounds	\$ 59,268
Furniture and equipment	10,712
Fire trucks and equipment	<u>424,727</u>

TOTAL ASSETS	<u>\$ 494,707</u>
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INVESTMENT IN GENERAL FIXED ASSETS	<u>\$ 494,707</u>
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Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA

Karen A. Roka, CPA
James A. Huguelet, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA
Kurt M. Lemmen, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

Member:
American Institute of
Certified
Public Accountants
and
Michigan Association of
Certified Public
Accountants

MANAGEMENT LETTER

To the Members of the Township Board
Township of Dallas
Fowler, Michigan

Dear Ladies/Gentlemen:

As you know, we recently completed our audit of the records of the Township of Dallas, Michigan for the year ended March 31, 2004. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. These suggestions are the result of our evaluation of the internal control structure and our discussions with management.

1. The Township should review the listing of general fixed assets for completeness and incorporate estimated useful lives for each general fixed asset listed.

During our analysis of general fixed assets activity for the year, we noted that although the Township has maintained historical cost information for general fixed assets, estimated useful lives for each general fixed asset have not been assigned.

The Township is required to implement GASB Statement No. 34 no later than fiscal year ending March 31, 2006, which will require government-wide financial statements prepared on the full accrual basis of accounting. Under the full accrual basis of accounting, capital assets are depreciated over their estimated useful lives. To the extent possible, the depreciation expense should be allocated to the appropriate function of the government. In order to calculate beginning accumulated depreciation for capital assets for the fiscal year ending March 31, 2006, estimated useful lives will need to be assigned to the capital assets.

We suggest the Township review their listing of capital assets to assure that the listing is complete and accurate and assign estimated useful lives, where applicable. Such information should then be used to calculate accumulated depreciation for the capital assets through March 31, 2005, which will be needed for beginning of the year balances for 05/06. Compiling this data related to the Township's capital assets will facilitate the implementation of GASB Statement No. 34.

2. The Township should review various areas of operation and consider additional segregation of duties.

During our consideration and assessment of fraud risk, we noted that the Township may not have sufficient segregation of duties in its accounting structure. The intent of internal control is to assure that no one individual is able to control all aspects of a transaction cycle (i.e., receipts, disbursements, etc.).

While this is a common occurrence in small organizations due to the limited number of employees, the Township Board should realize that a greater risk in safeguarding assets exists if duties and responsibilities are not appropriately arranged and separated.

We suggest that the Township review various areas of operation and consider additional segregation of duties. If duties cannot be adequately segregated due to the limited number of employees, we suggest the Township Board provide a greater review and supervision of employee functions and procedures.

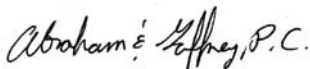
3. Budgets should be monitored and amended when necessary.

As noted in Note E of the annual financial statements, one (1) functional classification exceeded the amounts appropriated in the Special Revenue Fund for the year ended March 31, 2004. The Michigan Public Act 621 of 1978, as amended, provides that the Township adopt formal budgets for the Special Revenue Fund and shall not incur expenditures in excess of the amount appropriated.

We suggest the Township periodically monitor the adopted budget for the Special Revenue Fund and amend the budget as necessary throughout the year to alleviate unfavorable budget variances.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the general purpose financial statements and this report does not affect our report on the general purpose financial statements dated July 9, 2004.

This report is intended solely for the use of management and the Township Board of the Township of Dallas, Michigan and should not be used for any other purpose. We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

July 9, 2004